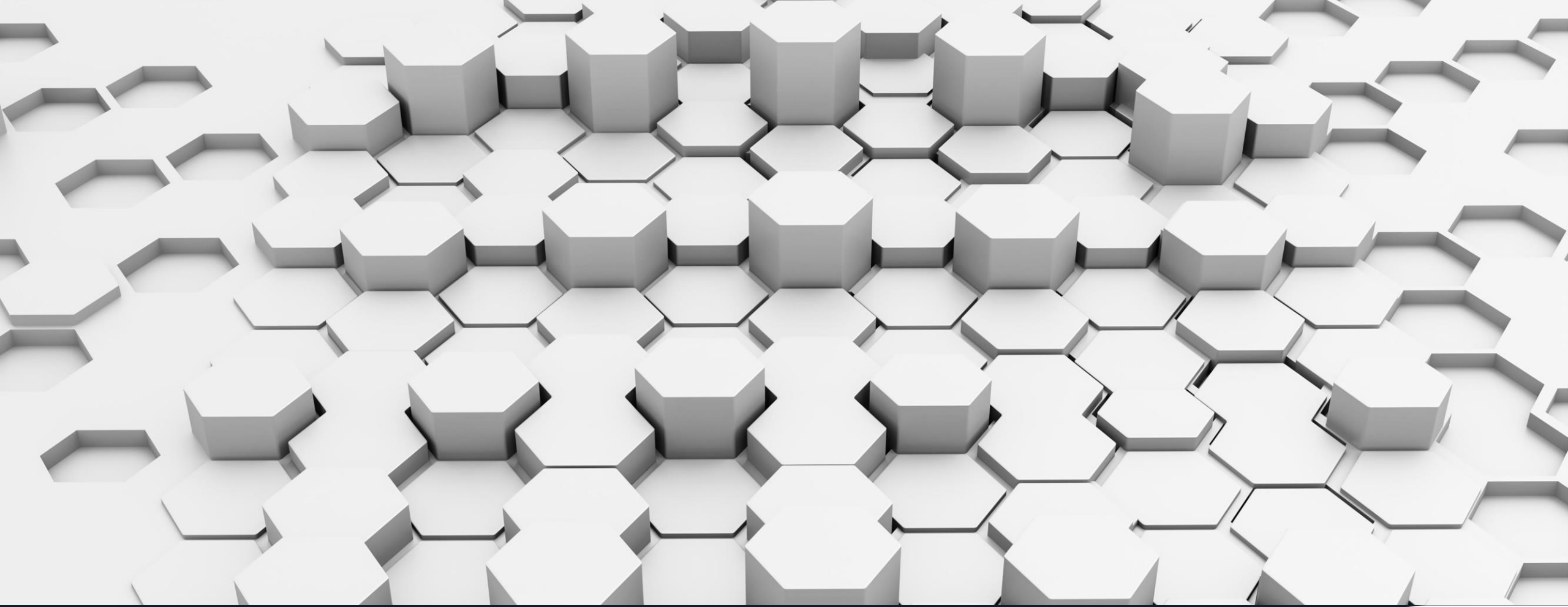




THE IMPACT OF A BANK'S STRATEGY ON LIQUIDITY MANAGEMENT

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IMPACT OF STRATEGY ON LIQUIDITY MANAGEMENT



From Corporate Strategy to Value Creation



Strategy

- Strategy drives competitive advantage through deliberate decisions and adaptive responses, aligning resources to achieve long-term goals and distinct differentiation, guiding the organization's sustainable direction.
- Michael Porter, Henry Mintzberg, Peter Drucker, Alfred Chandler, Johnson and crew.

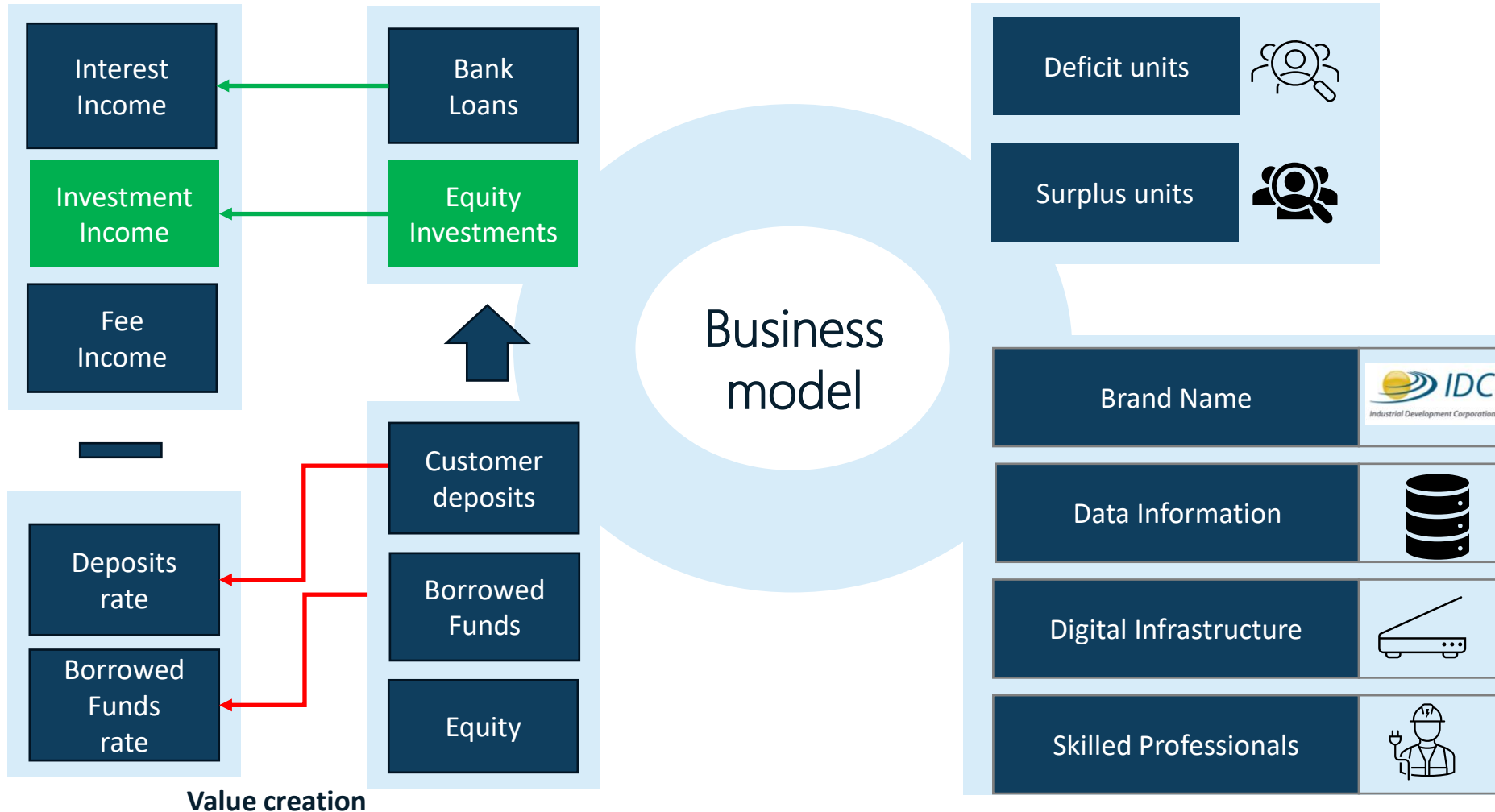


Value Creation

- The Corporate and Business Strategy of a Financial institution determines the assets and liabilities it brings to its balance sheet and the difference in the cost of liabilities and the charge it levies on its assets creates value for the institution.



BUSINESS MODELS OF FINANCIAL INSTITUTIONS



Value configuration

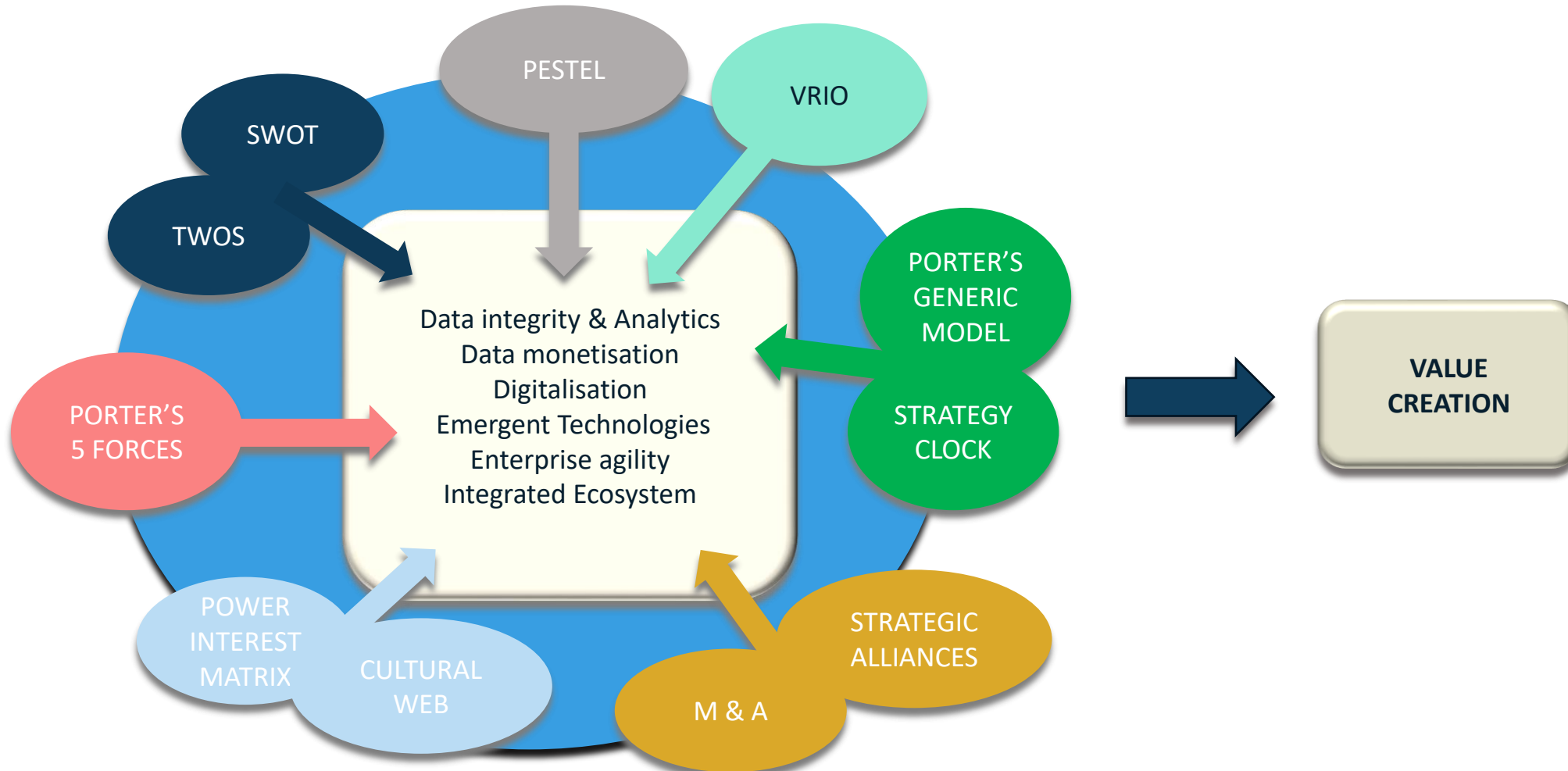
- Target deficit units with products based on trust.
- Targets surplus units with value and trust.

Value capture

- Management must link distinctive resources and capabilities to gain a competitive advantage.

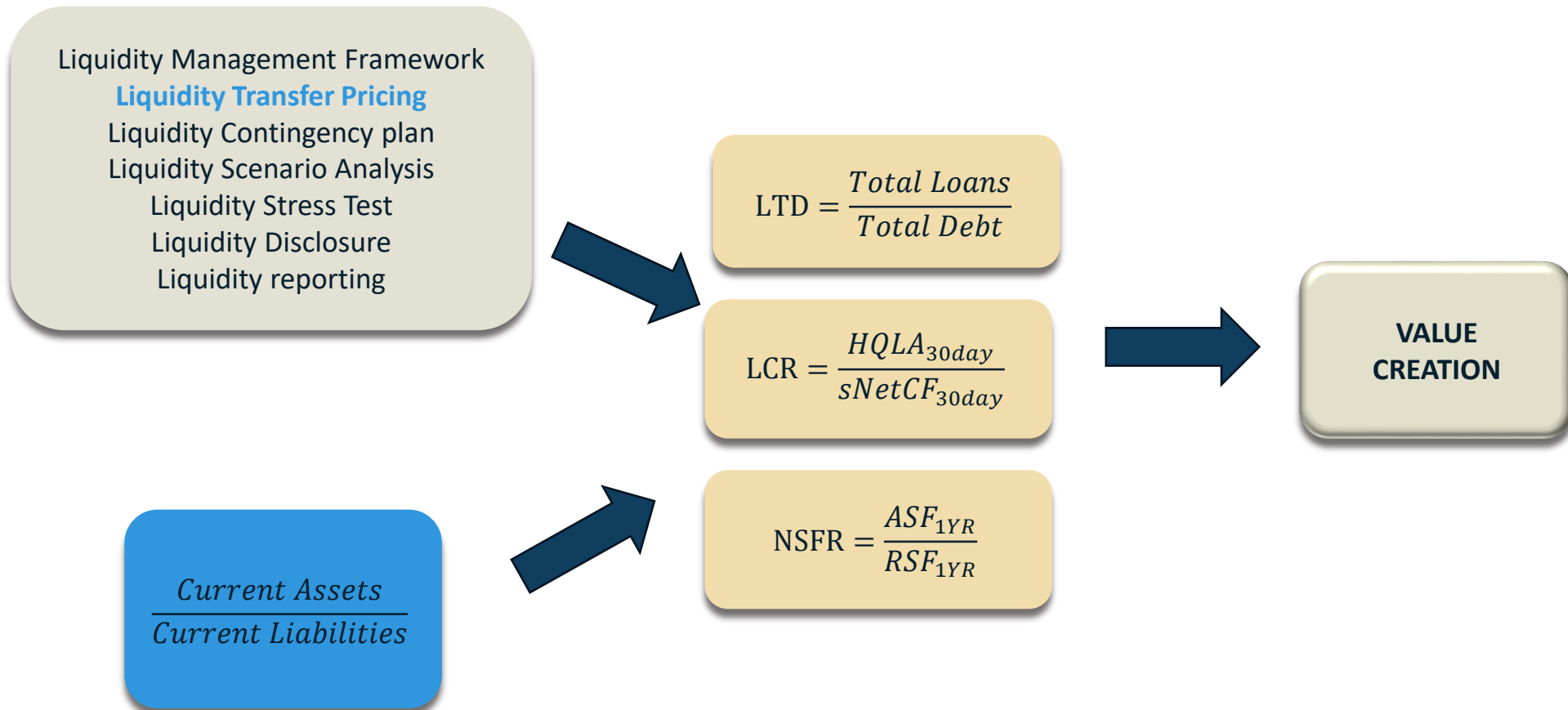


CORPORATE & BUSINESS STRATEGY

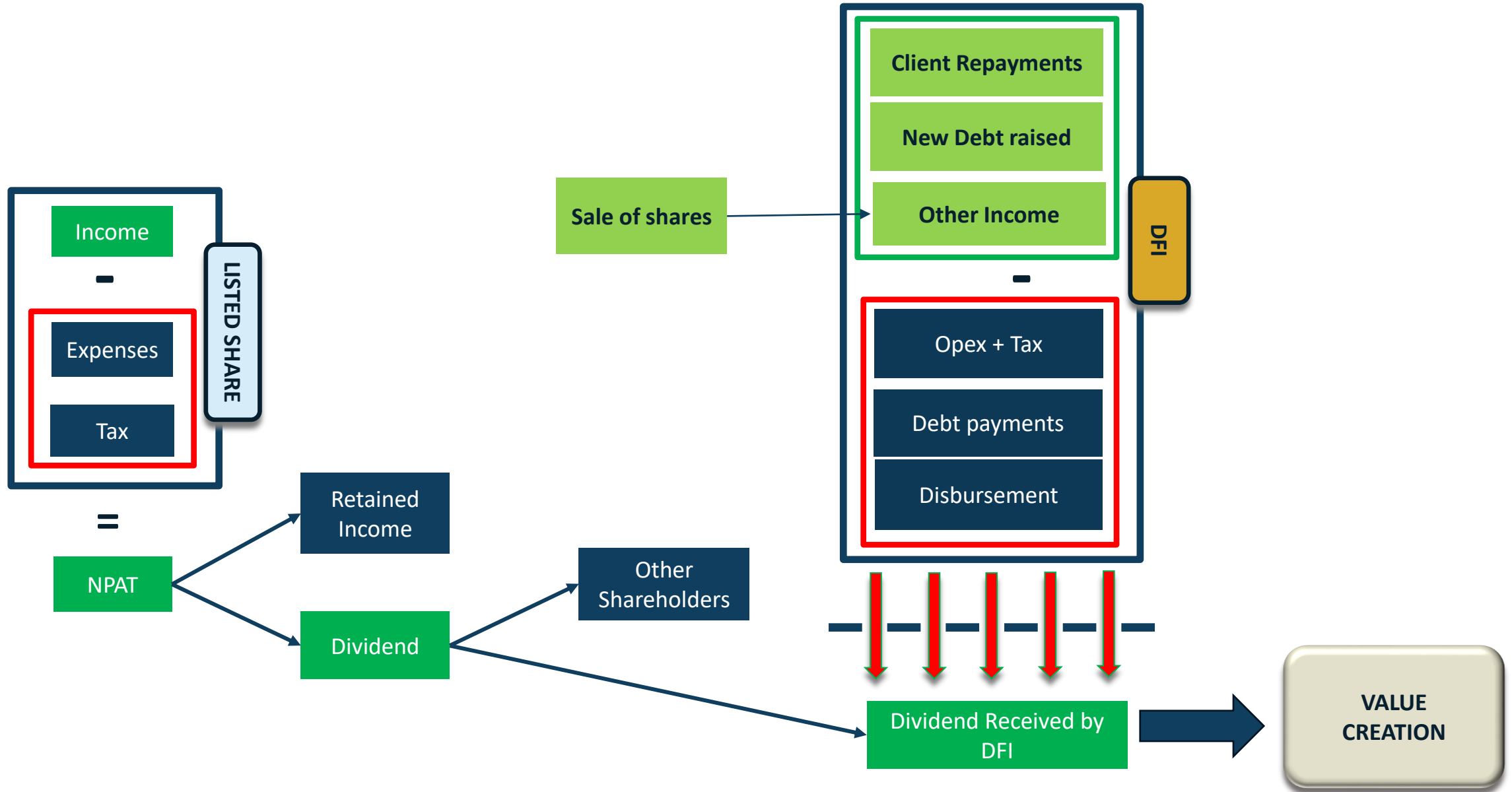




LIQUIDITY MANAGEMENT STRATEGY

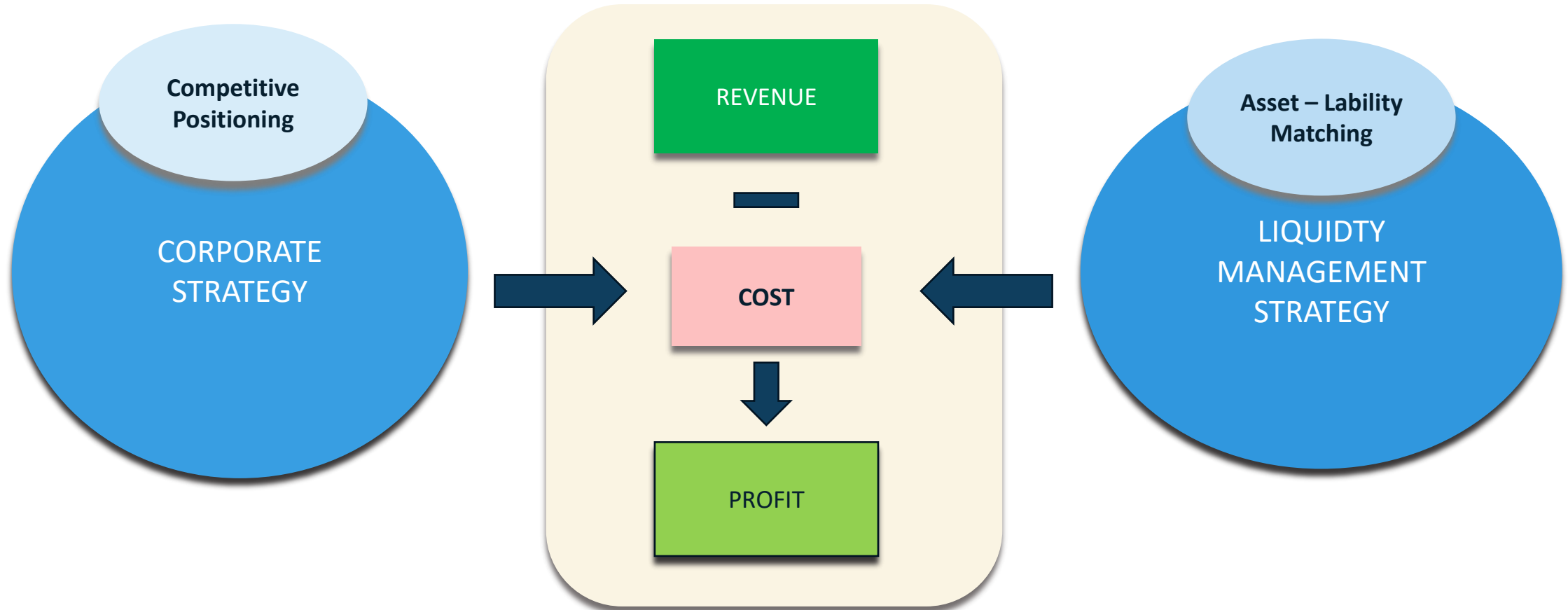


VALUE CREATION: EQUITY INVESTMENTS



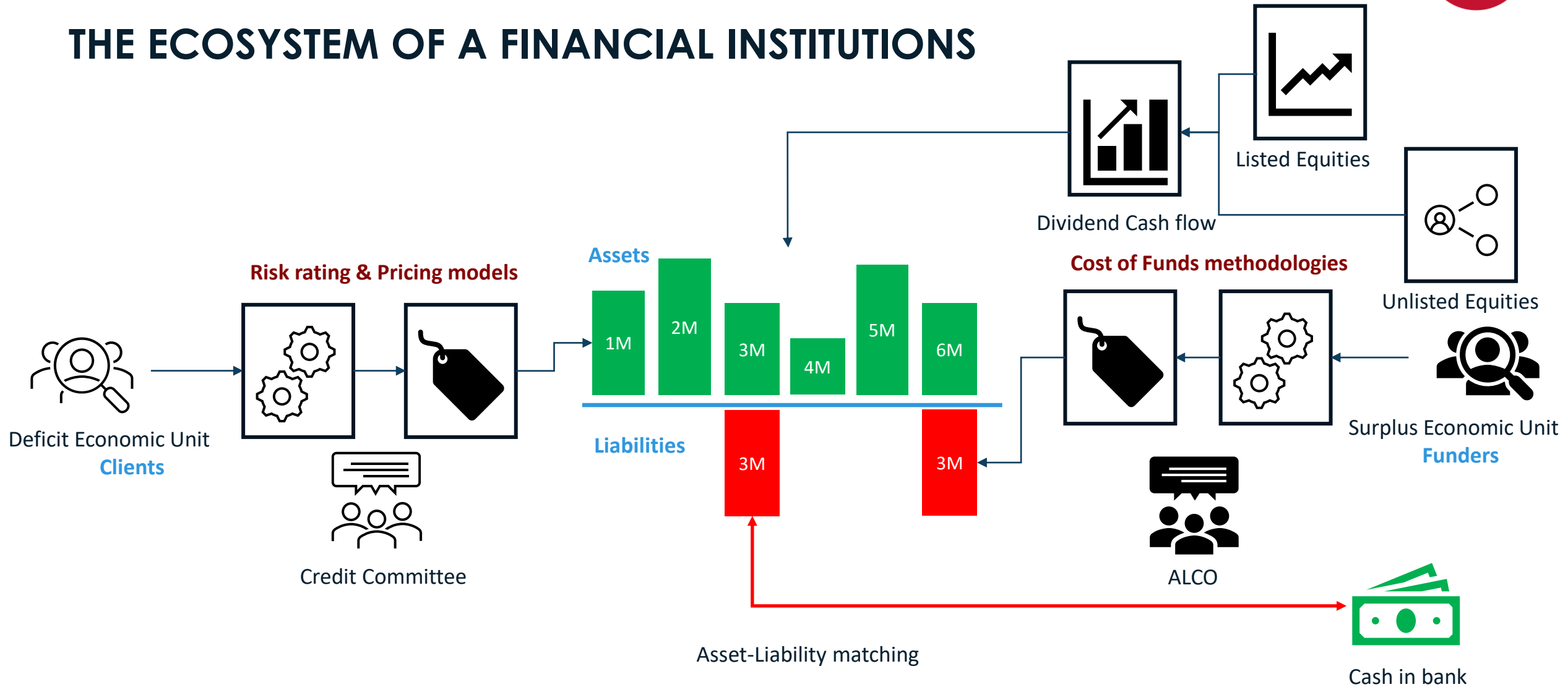


INTEGRATING CORPORATE STRATEGY WITH LIQUIDITY MANAGEMENT

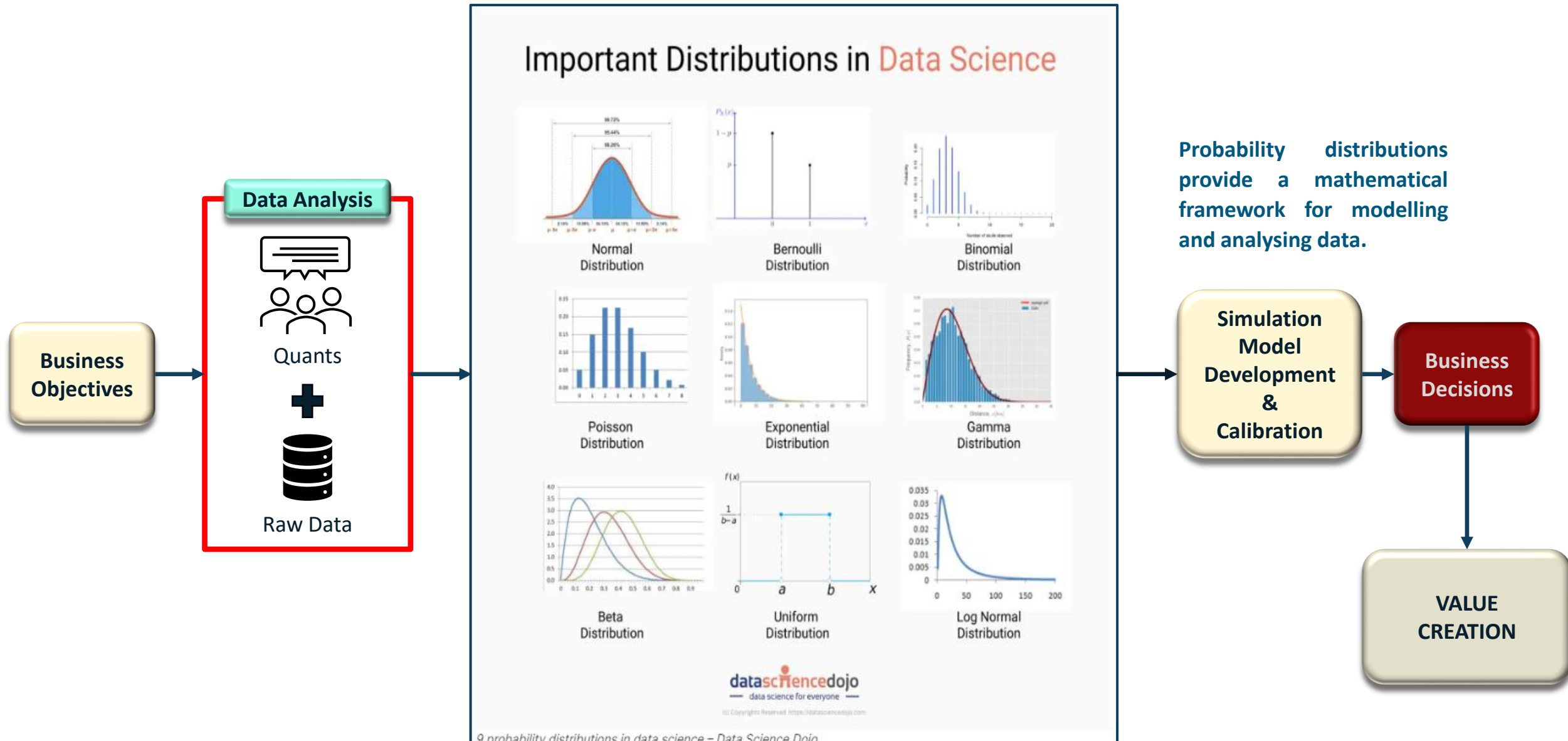




THE ECOSYSTEM OF A FINANCIAL INSTITUTIONS



THE VALUE OF DATA: FINANCIAL INSTITUTIONS



THE VALUE OF QUANTS: FINANCIAL INSTITUTIONS

$$D_{[0,T]} = \sum_{i=1}^{N_{S,0}} \sum_{j=1}^{N_{i,0}} \sum_{k=1}^{N_{i(j)}[0,T]} NPAT_{i(j)}[(k-1)\delta t, k\delta t] \Pi_{i(j)}[(k-1)\delta t, k\delta t] S_{i(j)k}(k\delta t) w_{i(j),0} \quad \boxed{1}$$

$$Pr\{D_{[0,T]} < F_{[0,T]} | f_0\} = \gamma \quad (\text{Probability of dividend shortfall}) \quad \boxed{2}$$

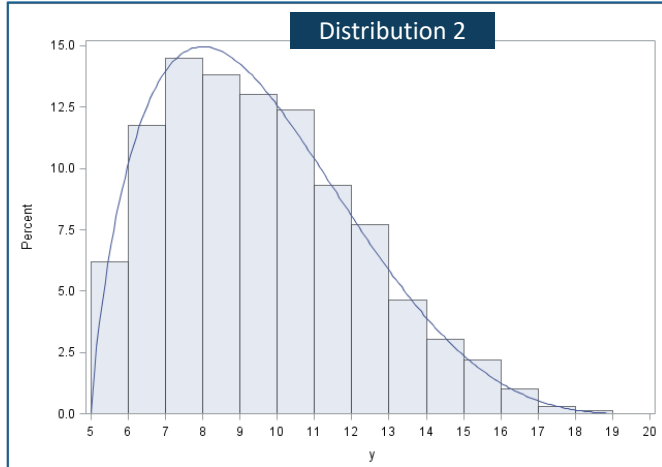
$$\frac{\sum_{\omega=1}^{N_{sim}} 1_{\left\{ \left(\sum_{i=1}^{N_{S,0}} \sum_{j=1}^{N_{i,0}} \sum_{k=1}^{N_{i(j)}[0,T]} NPAT_{i(j)}[(k-1)\delta t, k\delta t]^{(\omega)} \Pi_{i(j)}[(k-1)\delta t, k\delta t]^{(\omega)} S_{i(j)k}^{(\omega)}(k\delta t) w_{i(j),0} \right\} < F_{[0,T]} \right\}}}{N_{sim}} = \hat{\gamma} \quad \boxed{3}$$



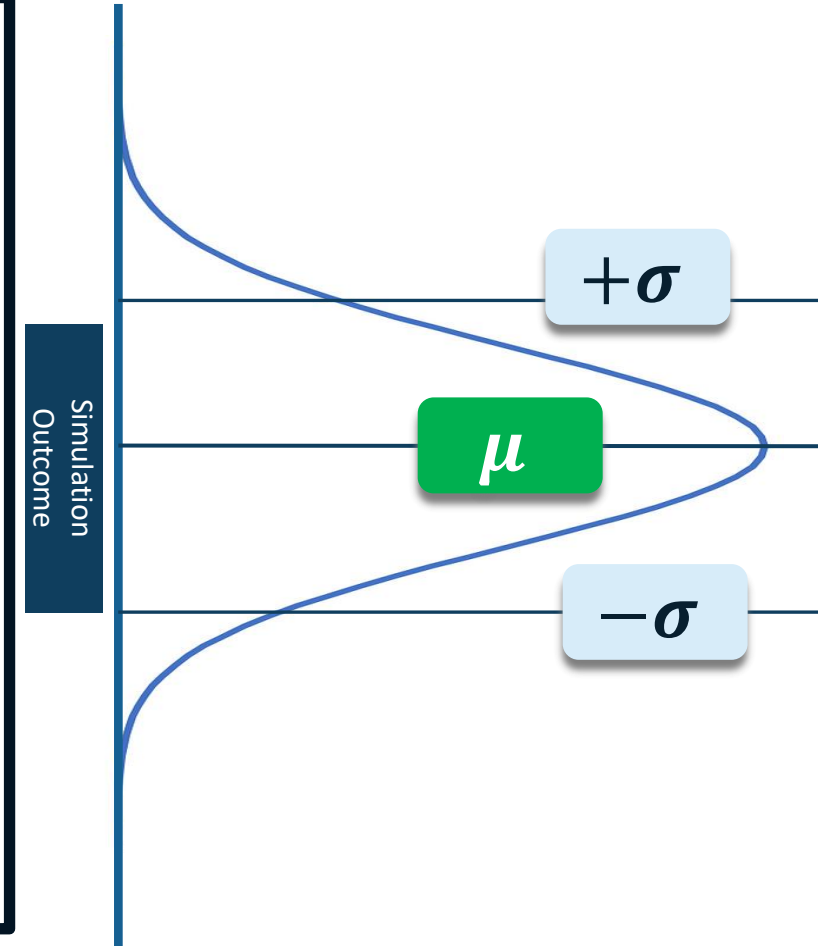
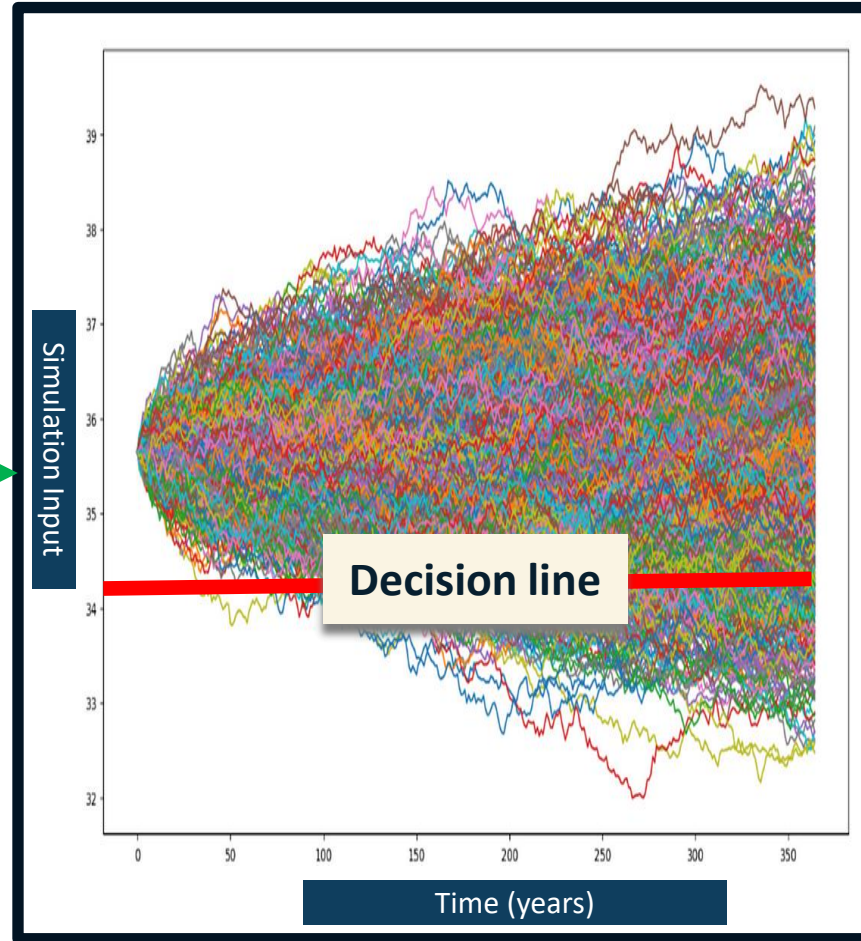
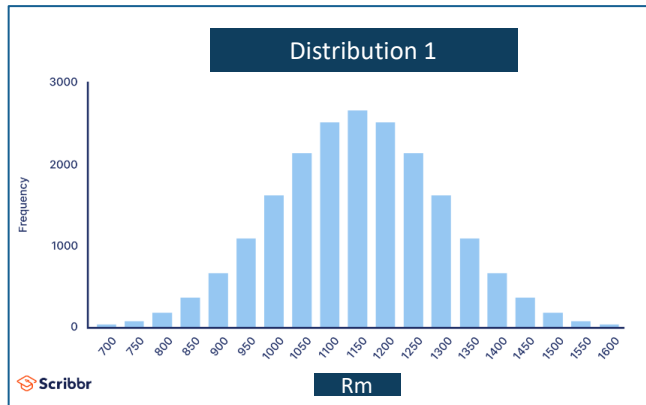
Actuaries

- Somebody must explain to Senior management the meaning of the symbolic language in plain English.

THE VALUE OF QUANTS: FINANCIAL INSTITUTIONS

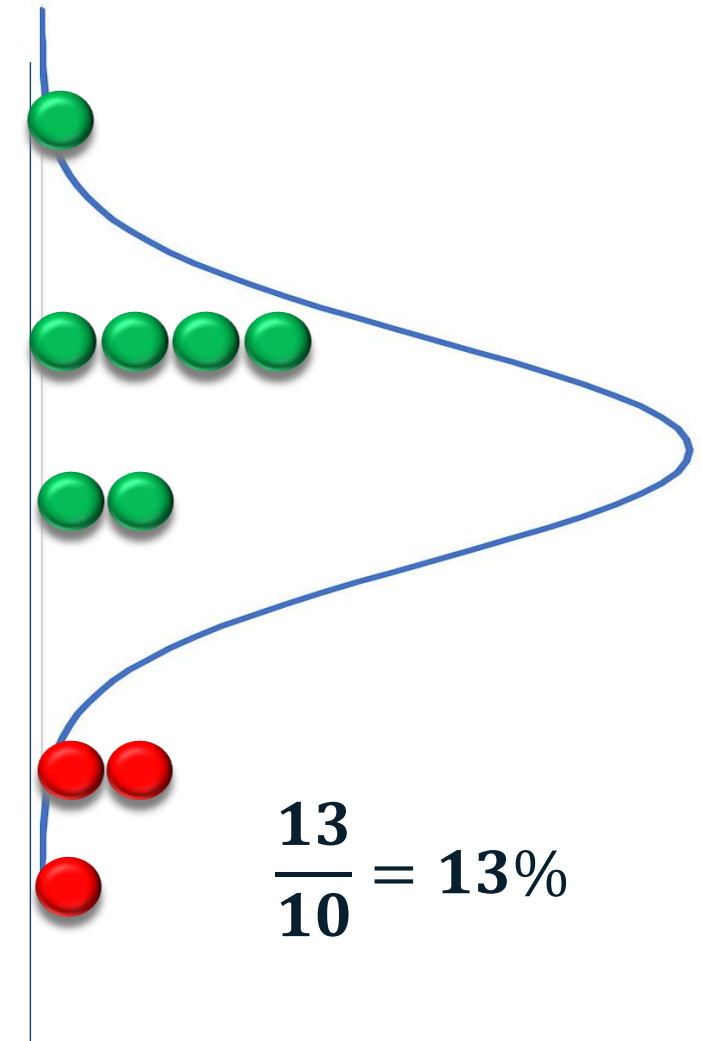
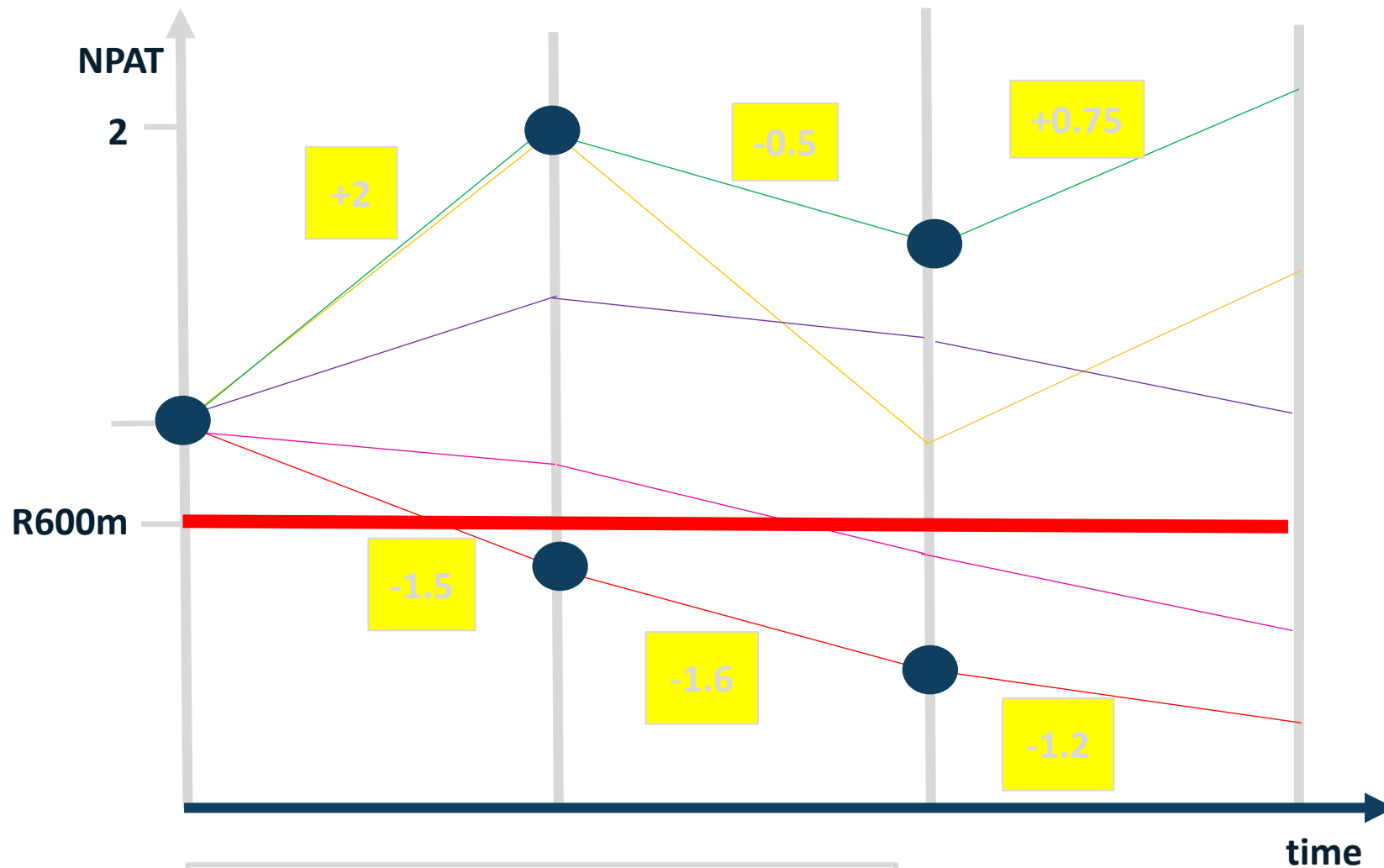


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From Data to actionable Scenarios

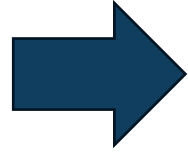
THE VALUE OF QUANTS: FINANCIAL INSTITUTIONS



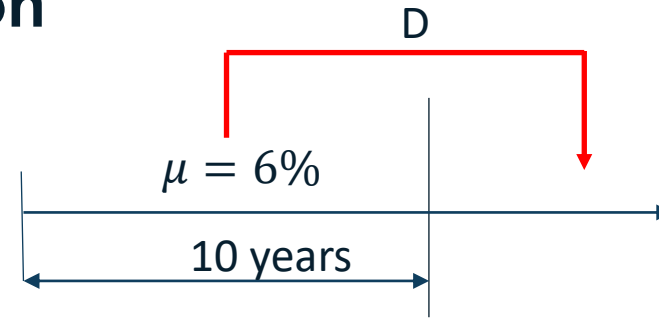
THE VALUE OF QUANTS: FINANCIAL INSTITUTIONS

From Corporate Strategy to Value Creation

$$P_0 = \frac{D_1}{k_s - g}$$
$$k_s = \frac{D_1}{P_0} + g$$



If: $k_s = CoE$



Therefore, formula adjusted as follows to get Long-term Dividend Cash flow (LTDCF):

$$LTDCF = \frac{\text{Average Dividend over 10 years}}{\text{Average Equity Investments over 10 years}} \times (1 + [\text{Average Dividend growth rate over 1 years}])$$



$$k_s = f(\text{Average Dividend}_{10Y}, \text{Average Equity Investment Value}_{10Y}, \text{Average Dividend Growth rate}_{10Y})$$



Actuaries

- The 10 year long-run average dividend cash flow is used to predict the next dividend.
- The distributions, errors and residuals of each parameter in the function are then used to derive the long- term expected return of the dividends.



THANK YOU!